

# **AB 3041 - PUBLIC EMPLOYEE HEALTH BENEFITS**

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**Assemblymember Fran Pavley**

## **IN BRIEF**

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AB 3041 allows an individual enrolled in a CalPERS board-approved health benefit plan to also enroll in a prescription drug plan under Medicare Part D.

## **BACKGROUND**

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In addition to the current health plans offered by CalPERS, there exists additional health plans for a few individual organizations, such as the Peace Officers Research Association of California (PORAC), California Association of Highway Patrolmen (CAHP) and the California Correctional Peace Officers Association (CCPOA). These health plans are administered by CalPERS and are solely for the members of each of these organizations to participate in.

In December, 2003, the Medicare Modernization Act (MMA) was signed into law and established Medicare Part D. The Part D benefit is designed to provide Medicare beneficiaries with affordable drug coverage and reduce out-of-pocket drug spending. Employers have the option to choose which method best assists them in implementing Medicare Part D.

CalPERS chose to pursue the option of employer subsidies in its implementation of Medicare Part D. Under this option, employers who provide a comparable drug benefit in place of Part D are eligible to receive a federal subsidy from Medicare. However, employers are not eligible for the subsidy if CalPERS health program participants are enrolled in Medicare Part D.

## **EXISTING LAW**

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Last year, CalPERS sponsored AB 587 (Negrete McLeod) which prohibits individuals enrolled in

a CalPERS health program from enrolling in a prescription drug plan under Medicare Part D.

## **THE ISSUE**

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When CalPERS decided to sponsor AB 587, they were attempting to create a program whereby all of the Part D reimbursements would come back to CalPERS, thereby allowing them to reimburse those funds back to the employers.

Unfortunately, the language enacted was overly restrictive because it also prohibited CalPERS approved health plans, including CalPERS association health plans (including PORAC) from offering a prescription drug plan to their members.

## **THE SOLUTION**

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AB 3041 modifies this statutory restriction by allowing a CalPERS approved health plan to offer a prescription drug plan as part of its benefits design. This would allow CalPERS and its association plans to negotiate lower employee rates, premiums and co-payments for their retirees.

## **SUPPORT**

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Peace Officers Research Association of California (Co-Sponsor)  
CalPERS (Co-Sponsor)  
California State Sheriff's Association

## **FOR MORE INFORMATION**

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